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Most states "carve in," or integrate, all Medicaid benefits into managed care. Carving in medical care, behavioral health, prescription drugs, and other services ensures they all work together for better health outcomes while saving hardworking taxpayers billions of dollars. Research has shown that shifting the administration of Medicaid drug benefits to managed care reduced spending by 22.4% with no decrease in quality of care(The National Oct. 2017).In 2017, prescription drug carve-in programs achieved $7.4 billion in savings for U.S. taxpayers(Medicaid Prescription Drug Utilization and Expenditure Dynamics, The Menges Group, Nov. 2018). States that have drugs carved in cost 15% less than states that have Medicaid drug programs carved out of Medicaid managed care(Comparison of Medicaid Pharmacy Costs and Usage in Carve-In Versus Carve-Out States, The Menges Group, April 2015). A study by Prime Therapeutics found that carving-in pharmacy benefits reduced costs by 11%, reduced hospitalizations by 9%, and reduced emergency department visits by 4%(Oct.2014).

In fact, a study by UnitedHealth Group estimated that PBMs saved the Texas Medicaid program $99 million in 2016 alone. And if Texas fully utilized the capabilities of PBMs in the Medicaid program, the State could save $2.5 billion over the next ten years(UnitedHealthGroup, March 2018).

In 2012, Medicaid prescription drugs were shifted into managed care so the health plans could provide the care and coordination needed to help Texans get healthy and stay healthy. Prior to 2012, prescription drug costs were unsustainable and had increase by 90% over the past decade or 6.5% on average per year, almost doubling from 2001 to 2011. Since shifting prescription drugs into managed care, Texas has dramatically bent the cost curve. Since 2011, Texas Medicaid prescription drug costs have grown substantially lower at 2.8% a year, while at the same time, national Medicaid prescription drug costs grew 9.7% a year(HHSC, Rider 60: Prescription Drug Benefit Administration in Medicaid, CHIP, and Other Health-Related Services, Aug. 2018).

Texas Medicaid managed care also has substantially lower administrative costs for prescription drug coverage compared to the Texas Fee for Service program, $1.80 compared to $2.50 per member per month(HHSC, Rider 60: Prescription Drug Benefit Administration in Medicaid, CHIP, and Other Health-Related Services, Aug. 2018).Shifting to the fee for service administrative fee, would cost Texas $40 million.

Texas has been cited as one of the most closely regulated Medicaid PBM environments. "In2014, Texas became one of the first states to closely regulate PBMs. Using a managed care system, all MCO-PBM contracts are uniform subcontracts to the state and MCOs are held responsible for all duties performed

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by the PBM. In order to keep costs low for the state, regulations prohibit PBMs from using spread pricing, receiving additional rebates from manufacturers, and using unauthorized clinical edits. Texas' use of a Uniform Managed Care Contract dictates the role and operations of each of their 20 MCOs and 6 PBMs."(Medicaid Pharmacy Pricing, Kentucky Cabinet for Health and Family Service, Feb. 2019).

Texas prohibits the use of spread pricing, receiving additional rebates, and using unauthorized clinical edits. Texas has uniform managed care contracts (UMCM Chapter 6.1, "CostPrinciples for Expenses." UMCC, 8.1.21.7).**The stories presented in other states are not possible in Texas, because there is no spread pricing in Texas. Additionally the state (HHSC), not Medicaid managed care companies, negotiate and collect rebates. It is inaccurate to indicate or imply that these issues are happening or could happen in Texas based on Texas current contracts, reports, or regulatory requirements.**

$90M Savings Number:
The Rider 60 Report shows no definitive savings. The $90M in savings you referenced in your email earlier today is only one of eight scenarios provided in the report. The range of potential outcomes is $90M in savings to $75M in costs, so the $90M is misrepresentative of the report's overall findings. Additionally, the report itself states: **"There are other potential costs that should be evaluated in deciding whether to carve out the pharmacy benefit from managed care. These potential costs have not been incorporated in the costs and savings estimates presented in the report."** Those additional costs that were not considered in this report include upfront transition costs, the transfer of risk from private companies to the state and, and the increased costs resulting from new barriers to care coordination and management that a carve out would create. The report even notes that this savings number is not accurate, because the state reduced the cost of the at-risk margin and the federal government has passed a moratorium on the Affordable Care Act health insurer fee, which dramatically reduces any potential savings. The report does indicate there would be a definite increase in drug spending at 1.5% for an estimated $60 million a biennium and there would a 2.2% increase in utilization unless the state made further cuts to the program also costing an additional $60 million a biennium(HHSC, Rider 60: Prescription Drug Benefit Administration in Medicaid, CHIP, and Other Health-Related Services, Aug. 2018).

The Rider 60 Report Does NOT Recommend a Carve-Out
The Rider 60 Report was not an audit, did not have any negative findings, and did not study the effectiveness of prescription drugs being carved into managed care. The report was limited to studying the administrative costs associated with carving prescription drugs out of the Texas Medicaid program. It does not take into consideration the impact to total cost or quality of care in the Medicaid program. The Rider 60 Report states, **"This report, which addresses Rider 60, does not constitute an evaluation of Texas MCOs' effectiveness in administering pharmacy benefits."** The Rider 60 Report specifically notes that the Rider 61 Report, not the Rider 60 Report, is the study that includes findings for the overall cost and savings for the shift to managed care. The Rider 61 Report found Texas has saved between $5.3 and $13.9 billion through the use of Medicaid managed care since 2009. According to the report, " There are other potential costs that should be evaluated in deciding whether to carve out the pharmacy benefit from managed care. These potential costs have not been incorporated in the costs and savings

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estimates presented in the report," (*HHSC, Rider 60 Report& Rider 61 Report, Aug. 2018*).

Improving Quality of Care

Medicaid health plans take a more comprehensive approach to drug management that focuses on treating the whole patient. Integrating up-to-the-minute medical and pharmacy data gives health plans the ability to monitor clients' health in real-time and enables them to identify high-risk patients, ensuring clients take the right medication at the right time. Integration of medical and pharmacy data also allows health plans to work with providers to ensure the best outcomes for Medicaid clients.

The State through the HHSC DUR and Vendor Drug Program Negotiates and Makes All Decisions on Rebates, Formulary Design, Step Therapy Protocols, and Clinical Edits

Pharmacy benefits are developed by the state of Texas' Drug Utilization Review (DUR)Board at HHSC which reviews and selects which drugs will be covered by Medicaid, which will be preferred on the formulary (does not require prior authorization), which drug are not preferred on the formulary (require prior authorization), and other clinical edits. MCOs must use clinical prior authorization criteria provided by VDP. The use of any additional or more stringent clinical prior authorization requirements must be approved by the Texas DUR or by HHSC before implementation by the MCO. (Uniform Managed Care Contract 8.1.21.2).

The Texas DUR typically chooses a higher rate of brand name drugs compared to generic drugs for the Texas Medicaid formulary(Medicaid Pharmacy Savings Opportunities: National and State-Specific Estimates, The Menges Group, Oct. 2016). This is different than what typically happens in the market and the way most physicians prescribe drugs, resulting in an unusual number of prior authorizations (required by HHSC) and barriers to accessing prescription drugs and dissatisfaction by clients and providers with the delivery of the Medicaid pharmacy benefits. TAHP and its member plans have advocated to eliminate all prior authorizations for generic drugs(TAHP-TACHP-THA-TMA-TPS Joint Letter to Deputy Executive Commissioner of Medicaid & CHIP at HHSC, Stephanie Muth, February 2019) and have advocated to remove prior authorizations for all antipsychotics in the Medicaid program.

Reimbursement and Independent Pharmacists:

Texas Medicaid has some of the strongest network adequacy standards for pharmacy in the country and is even strong compared to the private health insurance market. In the Texas Medicaid program a MCO must ensure a client has access to a pharmacy within 2 miles in metro areas and 15 miles in rural areas (8.1.3.2- UMCC Access to Network Providers) compared to 30 miles in nonrural areas and 60 miles in rural areas in the private health insurance market (28TAC 3.3704).

Data from Quest Analytics found that the number of independent pharmacies in Texas actually grew by 489 stores from 2010 to 2016, an increase of 11.76 percent.

Case Study: Managed Care Pharmacy Coordination Improves Outcomes

Parkland Children's Health Plan has received national recognition for their asthma management program that integrates medical and pharmacy data to better coordinate care. Although asthma is easily

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controlled with treatment, it is the leading cost of hospitalizations for children. Through this program, Parkland has decreased costs by 50%, ER visits by 40% and hospitalizations by 50%. Programs like this would not be possible if drugs are carved out of managed care.

Case Study: Managed Care Pharmacy Coordination Reduces Opioid Abuse

Real-time pharmacy and medical data enables Superior HealthPlan to combat the simultaneous use of Vicodin, Xanex and Soma, a dangerous and deadly mix of drugs called the "Houston cocktail." Since July 2016, Superior HealthPlan has seen an 89% reduction in the number of Houston cocktail prescriptions. The results are so successful that they have extended the initiative to include all other opiates, benzodiazepines and muscle relaxers and have seen a 35% reduction since 2018. A carve-out of prescription drugs would end this successful, lifesaving effort.

Bottom line

Eliminating the pharmacy coverage program in Medicaid managed care would put Texan lives in danger, hurt health outcomes, negatively impact efforts to modernize and improve patient outcomes through value-based purchasing, and substantially increase Medicaid program costs for taxpayers.

Sincerely,
Jamie Dudensing
CEO
Texas Association of Health Plans